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SECURITY INFORMATION

20 February 1953

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ONI CONTRIBUTION TO SE-37

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Probable Effects on the Soviet Bloc of Certain Courses of Action
Directed at the Internal and External Commerce of Communist China

(Note: Paragraph numbers used below refer to those
used in published text of SE-27)

Paragraph 10: Second sentence, after "Canada" insert - "Costa Rica,
Honduras, Panama"

Paragraph 12: Revise second to last sentence of paragraph to read as follows:

"Only the US, Costa Rica, Honduras and Panama prohibit vessels
of their own registry from entering the Communist Chinese supply line".

In third sentence, after "at least" change "27" to "33".

Sixth sentence, first word, replace "such" with "U.S."

Add new paragraph between 12 and 13 on the major types of circumvention
of the present controls as follows:

"The effectiveness of present controls is minimized because
of varying definitions of the term 'strategic commodity.' This leads to
non-uniform trade controls and results in the transshipment problem. It
is believed that false documentation also reduces the effectiveness of
present controls."

Paragraph 13: Delete last two sentences and substitute the following:

"The amount of non-Communist shipping involved in trade with
Communist China, after reaching a post-Korea low in December 1951, rose
steadily during 1952. The amount of non-Communist shipping involved during
December 1952 was more than twice that of December 1951. However, the nature
of commodities imported during the last half of 1952 became increasingly
more strategic."

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Paragraph 14: Delete last sentence and substitute:

"Nevertheless, while trade controls have resulted in the loss of markets in some non-Communist countries, especially the U.S. and Japan, Communist China has continued to earn foreign exchange by exports to Eastern and Western Europe. Moreover, barter arrangements have provided rubber and other essential items."

Paragraph 15: It is suggested that the following sentence be inserted at the end of paragraph:

"The Chinese Communists claim that in 1952 imports from the Soviet Bloc accounted for nearly 70% of China's total imports".

Footnote No. 4, Page 5, of SE-27 add the following sentence:

"The Soviet bloc merchant fleet includes 83 Lend-Lease ships, many of which are being used in the China trade. The seizure or threat of seizure of these vessels would not permit seaborne imports to be maintained at their present level."

Paragraph 41: Add at end of paragraph:

"It is estimated that the amount of cargo arriving in Communist China from non-Communist areas is considerably greater than the recorded tonnage. A naval blockade would also disrupt the flow of the more than 2,000,000 tons of cargo annually exported by sea. Some of the exports could reach European markets by overland routes, but only at considerable increase in transportation costs."

Paragraph 42: After second sentence add:

"In recent months there have been about 60 ocean-going vessels in this trade."

(See also below answer to IV.B.1)

IV. WHAT WOULD BE THE EFFECTS OF A NAVAL BLOCKADE INCLUDING PORT ARTHUR AND TAIWEN ON COMMUNIST CHINA'S ECONOMIC AND POLITICAL STRENGTH AND ITS MILITARY CAPABILITIES? (From Terms of Reference)

B. What would be the effects of a naval blockade on Communist China's coastal trade?

1. What is the extent, composition, and geographical distribution of this coastal trade?

The Chinese coastal junk fleet totals some 123,800 vessels with an aggregate tonnage of not less than 1.6 million gross tons. It is distributed as follows:

	<u>Number</u>	<u>Gross Tonnage</u>
South China	26,300	315,000
East China	80,000	960,000
N. & NE China	17,500	350,000

2. How much of this trade would be cut off by a naval blockade?

We are unable to estimate how much of this trade would be cut off by a blockade.

C. 4. What would be the effects of a naval blockade on Communist China's political, economic and military relations with the USSR?

The Chinese Communist regime would become more dependant upon the USSR, with the consequent loss of much of its freedom of independent action, but in the short run it is not felt that this would produce any significant adverse effect upon Sino-Soviet relations.

D. 3. What would be the probable trend in economic, political and military relations between the USSR and Communist China if a naval blockade were maintained over an extended period

Insert after first sentence of paragraph 47 of SE-27 - "Making the Chinese Communists totally dependent upon the USSR for necessary imports would greatly strengthen Moscow's grip on China and further the subjugation of Chinese policy to Soviet interests."

1 DD (Destroyer)	4 PC (Sub-Chasers)
7 DE (Escort)	3 PCM (Motor Gunboats)
6 PF (Frigates)	2 CMC (Coastal Minelayers)
4 PCE (Patrol)	11 AM (Minesweepers)

In addition there are more than 100 smaller types that could be used in blockading a coastal area within a range of 400 miles of Formosa.

However, the combat effectiveness of the Nationalist Navy is currently low, as reflected by the following factors:

a. Detection (radar and sonar) - equipment in poor condition; inadequately trained personnel.

b. AA - Its effectiveness is judged to be practically nil. The Navy has had no training or experience in AA firing and has no modern fire control equipment.

c. Surface-firing - During recent surface-firing gunnery exercises, proficiency was rated to be fair. It is pointed out that these exercises occurred during daylight hours, and that if similar exercises were conducted at night or in low visibility proficiency would very likely decrease.

d. Communications - Rated to be sub-standard. The Chinese have little conception of communications procedure.

Furthermore, it is believed that if the Nationalist Navy were ordered to blockade the mainland, the limited number of operational vessels would be deployed in such a haphazard manner that only 15 to 20% of all sea-going trade would be intercepted. This estimate is based on the Chinese Nationalist Navy's:

- a. Poor staff planning.
- b. A grandiose concept of their own capabilities.
- c. Inability to properly maintain vessels and equipment.

Theoretically, however, assuming no interference from the Chinese Communist Air Force and/or Navy and without any additional foreign assistance or guidance, it is estimated that the Nationalist Navy would be capable of intercepting about 45% of all sea-going trade. This would entail (1) the blockading of nine mainland ports capable of handling vessels of 1,000 GRT or larger, in the area between and including the Pearl Estuary (Whampoa), and the Yangtse River (Shanghai); (2) the interdiction of coastal traffic in the area between Hong Kong and Hangchow. Only if all efforts were directed toward maintaining such a blockade, could the above estimate be achieved.

If the Chinese Communist Navy offered resistance to a Nationalist blockade, the Nationalist Navy would be forced to withdraw from the Yangtse River area to a point south of Ningpo - thus further reducing its blockade effectiveness to approximately 15 to 20% of overall seagoing and coastal trade. Should the Chinese Communist Air Force also be committed to nullifying the blockade, it is believed that the Nationalist Navy would be hard pressed even to maintain a blockade of the Formosa Straits.

- B. What are the capabilities of the Chinese Nationalists to conduct air strikes against lines of communication on the China mainland?

The CNAF has one light bomber group (B-25's) and one medium bomber group (B-24's) of eighteen aircraft each. Their capability to conduct air strikes with this equipment against lines of communication on the China mainland is considered insignificant.

- C. What are the capabilities of the Chinese Nationalists to utilize additional air and naval equipment to augment their capabilities for blockading the China coast and interfering with inland lines of communication?

The Chinese Nationalists readily achieve the skills and techniques required for manning and maintaining a modern air force. It is considered that they have the organizational structure and personnel to use additional air equipment, and that with the necessary equipment, they could achieve a capability to conduct aerial bombing and mine laying strikes on lines of communication on the mainland. Such strikes would probably require a defensive effort on the part of the Chinese Communists out of proportion to the damage that might be expected to result.

With a minimum of U.S. assistance, which would include:

- a. Complete staff planning for all blockading operations
- b. Increasing U.S. aid (including spare parts and equipment) to the extent that the vessels now commissioned in the Nationalist Navy would be capable of operating effectively at least 50% of the time.
- c. Instituting a vigorous training program which would include vessels operating with U.S. underway training groups.
- d. Insisting that the Chinese Nationalist Air Force exert maximum effort to provide air search cover and for blockading units.
- e. Insuring that Nationalist crews receive a proportionate share of all prizes,

it is believed that within six months the Nationalist Navy, by preventing entrance to the East China Sea, denying all passage through the Formosa Straits and blockading the principal southern China ports, could prevent

70% of all ocean shipping from reaching Communist China and seriously interfere with over 30% of all coastal trade, even in the face of existing Chinese Communist naval and air capabilities to oppose such operations.

By removing crews from all vessels undergoing refit or overhaul and thus manning only operational vessels, it is believed that the Nationalist Navy could readily man and operate an additional twenty diesel driven escort or patrol vessels. This would, however, require a considerable increase in technical assistance in order to maintain the maximum number of vessels in an operational status. The additional vessels should enable the Nationalist Navy to effect a virtually complete blockade of ocean shipping and at least 50% of coastal trade. Since the Nationalist Navy would require extensive training in order to operate destroyers effectively, thus entailing the diversion of personnel from the blockading effort, it is not believed that the acquisition of destroyers would further the effectiveness of the blockade.

VII. It is suggested that sentence two of footnote 7 of SE-27 be deleted as it is incompatible with the statement made in sentence three of paragraph 55.

